

## REMEMBERING JUDGE DOMENIC J. F. RUSSO



On May 25, 2014 long-serving Public Employee Retirement Administration Commission Chairman Domenic J. F. Russo passed away after a brief illness. Judge Russo had served as PERAC Chairman for more than 10 years since his initial election on March 24, 2004 by his fellow Commissioners. He was elected on two subsequent occasions by the Commissioners serving at the time – a clear indication of the high respect that he had earned while leading PERAC through very challenging, demanding and sometimes controversial times in the agency's evolution.

At the time of his passing, Judge Russo was serving his third consecutive 5-year term as PERAC Chairman having been personally sworn in to his third term as Chairman on November 15, 2011 by the Honorable Robert A. DeLeo, Speaker of the Massachusetts House of Representatives while accompanied by his wife Mrs. Rose Marie Russo, at the Speaker's State House office. This swearing-in followed Judge Russo's unanimous selection on October 24, 2011 by the six other PERAC Commissioners acting in accordance with Chapter 7, Section 49(a) of the Massachusetts General Laws.

Judge Russo's illustrious career included serving and then retiring as the First Justice of the East Boston Division of the District Court Department of the Trial Court of Massachusetts. Previously, Judge Russo served as First Justice of the Milford Division of the District Court Department of the Massachusetts Trial Court and Managing Justice of the following Courts: Peabody, District Court Department Jury of Six Sessions; Lawrence, District Court Department of the Massachusetts Trial Court; and Lynn, District Court Department of the Massachusetts Trial Court.

Judge Russo was a graduate of Boston University and the Boston University School of Law and was also a retired Lieutenant Commander of the United States Naval Reserve.

Judge Russo oversaw many important policy decisions while serving as PERAC Chairman. These decisions included the development of major policy guidelines concerning retirement board investments in the emerging field of hedge funds and a major policy concerning the use of placement agents by Massachusetts retirement systems. He also oversaw the legislative analysis, development, drafting and the introduction, advocacy for and ultimate passage of perhaps the nation's most wide-ranging retirement board governance legislation. This comprehensive governance program was signed into law on November 18, 2011 by Massachusetts Governor Deval Patrick as part of the major groundbreaking pension reform Act, Chapter 176 of the Acts of 2011.

Judge Russo's dedication to the agency while PERAC's Chairman was legendary. Not only did he formally Chair official PERAC Commission meetings but he also personally participated in virtually every meeting

of PERAC's five Subcommittees during his decade-long tenure - amazing commitment, from an amazing person.

### **PERAC's Executive Director Joseph E. Connarton expressed his condolences to Judge Russo's family and friends:**

I know that I speak for his fellow Commissioners, the PERAC staff and the entire Massachusetts public pension community in expressing our sincere and heartfelt sadness upon the passing of our revered Chairman, Judge Domenic Russo. Judge Russo was an iconic leader of our agency in a time of great evolution and change. His steady hand, guidance and above all support was a great comfort to me as Executive Director as we navigated many challenging if not daunting tasks over the decade in which he led the Commission.

Judge Russo's experience as a jurist, his calm and reassuring presence and his quiet analytical acumen brought a unique combination of talents to the PERAC Chairmanship. While we acknowledge that no man or woman is irreplaceable – those who knew Judge Russo would join me in saying that he was, in fact, an indispensable man at PERAC. His intelligence, sense of humor, perspicacity and above all his integrity were without equal.

All at PERAC enjoyed working with Judge Russo during his long and successful tenure - so much so that it is hard to envision a Commission meeting or deliberation without his always cheerful, always kind and always helpful personage in attendance. I can only sum up our feelings, that of his fellow Commissioners and that of the entire PERAC staff and community by saying affectionately:

***Judge Russo, you will be deeply and sorely missed.***

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In light of the tragic deaths of Massachusetts public safety officers, the legislature has enacted and on April 10, 2014 Governor Patrick signed Chapter 70 of the Acts of 2014. This Act included Sections which increased the in-the-line-of-duty death benefit to the families of public safety officers “who, while in the performance of his duties and as a result of incident, accident or violence, was killed or sustained injuries which were the direct and proximate cause of his death” to \$150,000.

Massachusetts has grieved over the deaths of four heroic public safety officers during the past several months. They are:

- Lt. Edward J. Walsh Jr.,  
**Boston Fire Department**
- Firefighter Michael R. Kennedy,  
**Boston Fire Department**
- Officer Gregory T. Maloney,  
**Plymouth Police Department**
- Officer Dennis O. Simmonds,  
**Boston Police Department.**

*May they rest in peace.*

Following are the applicable Sections of Chapter 70:

### **Chapter 70 of the Acts of 2014:**

An Act Making an Appropriation for the Fiscal Year 2014 to Provide for Supplementing a Certain Existing Appropriation and for Certain Other Activities and Projects.

**SECTION 3.** Section 100A of chapter 32 of the General Laws is hereby amended by striking out, in lines 8, 21, 31 and in line 32, as appearing in the 2012 Official Edition, the figure “\$100,000” and inserting in place thereof, in each instance, the following figure: \$150,000.

**SECTION 4.** Section 3 shall take effect as of March 24, 2014 and shall apply to applications received by the State Board of Retirement under section 100A of chapter 32 of the General Laws on or after March 24, 2014.

**Approved, April 10, 2014.**



## PERAC'S 2013-2014 LEGISLATION

*By Michael J. DeVito  
Director of Strategic Planning,  
Management and Public Affairs*

PERAC filed three bills for the 2013-2014 legislative session:

### **H. 14: An Act Regarding Post Retirement Earnings and Unemployment Benefits**

Chapter 32, Sections 91 and 91A of the General Laws limit the amount of earned income a Massachusetts superannuation or disability retiree may earn. This bill would consider any unemployment insurance income earned after the member reaches the earnings limitations of those sections as “earned income”.

### **H. 15: An Act Authorizing the Public Employee Retirement Administration Commission to Hold Hearings**

Section 9 of Chapter 36 of the Acts of 2012 says that, “In no event shall any member be entitled to a retirement allowance under sections 1 to 28 inclusive, which is based upon a salary that was intentionally concealed from or intentionally misreported to the commonwealth, or any political subdivision, district or authority of the commonwealth, as determined by the commission.”

This bill would further clarify PERAC's ability to conduct hearings and investigations related to Chapter 32, Section 15(7) and to provide guidance related to said matters.

### **H. 16: An Act Authorizing The Public Employee Retirement Administration Commission to Perform Triennial Audits of Certain OPEB Trust Funds**

This bill further authorizes the Public Employee Retirement Administration Commission to conduct audits of methods of accounting and record keeping of Other Postemployment Benefit Trusts every three years, when directed by the Governor and legislature through general or special law changes.

This technical correction bill would codify in the General Laws PERAC's authority to conduct audits of Town OPEB Trusts that the legislature has already provided to PERAC elsewhere in statute. The bill does not, however – and this is an important point – provide a broad mandate to audit all of these Trusts - but merely those that the legislature in other Acts has already delegated to PERAC.

### **Update on Status:**

H. 14, H. 15 and H. 16 were sent to study by the Joint Committee on Public Service. PERAC's Legislative Subcommittee Chaired by Commissioner Donald R. Marquis will meet later this year to deliberate possible agency bill proposals for the 2015-2016 legislative session.

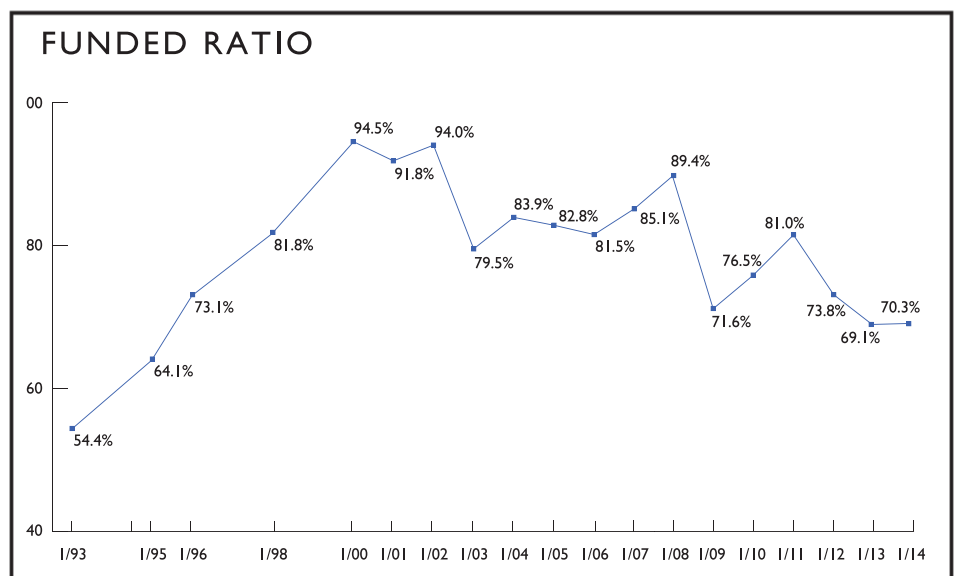
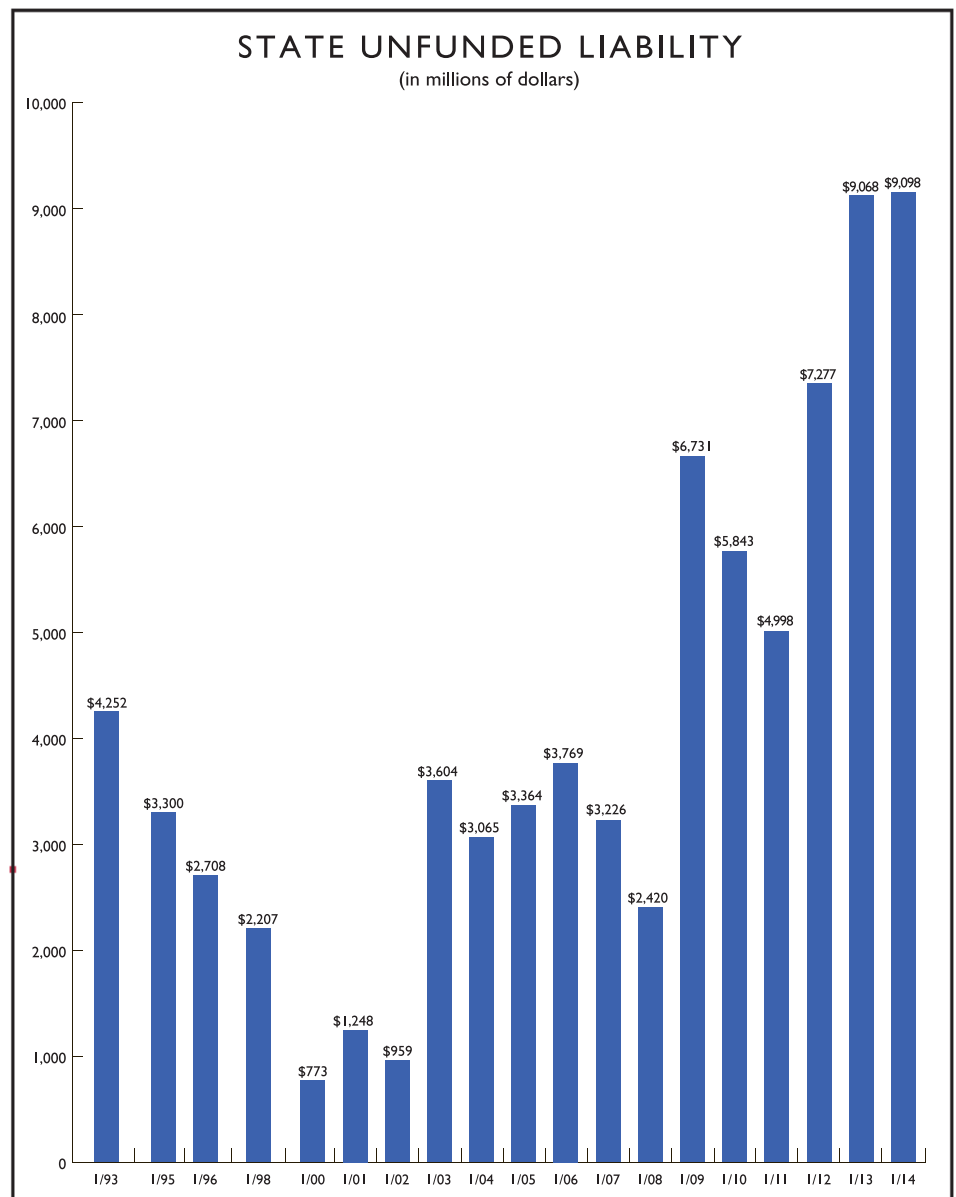
By James Lamenzo  
Actuary

Two charts from the January 1, 2014 actuarial valuation report of the State Retirement System (SRS) are presented on this page. The bar chart shows the unfunded actuarial liability (UAL) for the SRS since 1993. The UAL represents the actuarial accrued liability less the value of plan assets. (When there is no UAL, the system is said to be fully funded.) As of January 1, 2014, the actuarial liability was \$30.7 billion and the actuarial value of plan assets was \$21.6 billion. The difference of \$9.1 billion is the UAL, which represents a \$30 million increase from the 2013 valuation.

During 2013 there was an overall actuarial gain of \$563 million. There was a non-investment related gain (gain on actuarial accrued liability) of \$120 million due primarily to pay for continuing members being lower than expected. There was a gain of approximately \$442 million on the actuarial value of assets. The return on assets was approximately 10.2% on an actuarial value basis, compared to 15.4% on a market value basis. The actuarial liability increased by approximately \$102 million to reflect a revised mortality assumption. You can find more detail on Pages 4 and 5 of the *State Retirement System Actuarial Valuation Report* found on our website.

It is important to note that plan assets have grown much faster than plan liabilities since 1993. As of January 1, 1993, the actuarial accrued liability was approximately \$9.4 billion and assets were \$5.1 billion resulting in a \$4.3 billion UAL. Since 1993, the actuarial liability has grown by about 3.3 times while assets have grown by about 4.2 times. For this reason, the funded ratio represents a better measure of the plan's funded progress. The funded ratio equals the actuarial value of plan assets divided by the actuarial accrued liability. When the funded ratio reaches 100%, a system is fully funded. The funded ratio chart shows the progress made by the SRS in the past 20 years.

The 2008 investment loss significantly impacted the UAL and funded ratios for the State Retirement System, as it did for all systems. However, despite the 2008 loss, the SRS has an average return of approximately 9.8% per year since 1985. This exceeds the investment return assumption of 8.0% effective as of January 1, 2013. If you draw a straight line from the 1993 to the 2014 funded ratio, the line is moving upward to the right. This demonstrates the



(Continued on page 6)



## PERAC PRESENTS AT THE MACRS SPRING CONFERENCE

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*By Michael J. DeVito  
Director of Strategic Planning,  
Management and Public Affairs*



*PERAC Commissioner Gerald McDonough (L)  
Joannah M. Quinn, MTRS - Auditor Designee (R)*

PERAC provided several presenters at the MACRS Spring Conference held in Hyannis, Massachusetts from June 2-4,

2014. A large and enthusiastic audience was on hand to participate in MACRS' always expansive and informative agenda. PERAC, for its part, provided speakers for several venues at the Conference, including courses offered for Continuing Education credits under Chapter 176 of the Acts of 2011. All PERAC presentations are available for download from our website, [mass.gov/perac](http://mass.gov/perac) > Education > Educational Materials.

PERAC presentations at the Conference included two non-credit presentations to the general audience:

- Commissioner Gerald McDonough's presentation - "Do the Statutory Investment Changes by Chapter 176 of the Acts of 2011 Go Too Far or Not Far Enough?" and,
  - Executive Director Joseph E. Connarton's remarks.
- Credited courses offered by PERAC staff included:
- "Special Legislation: Issues to Address and Consider" with John Parsons, PERAC's Deputy Director and General Counsel;
  - "Disability Basics for Retirement Boards" with Kate Hogan, Manager of Medical Services and Jane Carritte, Clinical Case Manager; and,
  - "Veteran's Benefits" with Patrick Charles, Associate General Counsel.
- Members received one credit for each credited courses attended.



*Suzanne Bump, Commonwealth of Massachusetts  
State Auditor*



*David Giannotti, Communications Division Chief,  
State Ethics Commission*



*Shawn Duhamel, Legislative Liaison,  
Mass Retirees Association*



*Hank Kim, President,  
NCPERS*

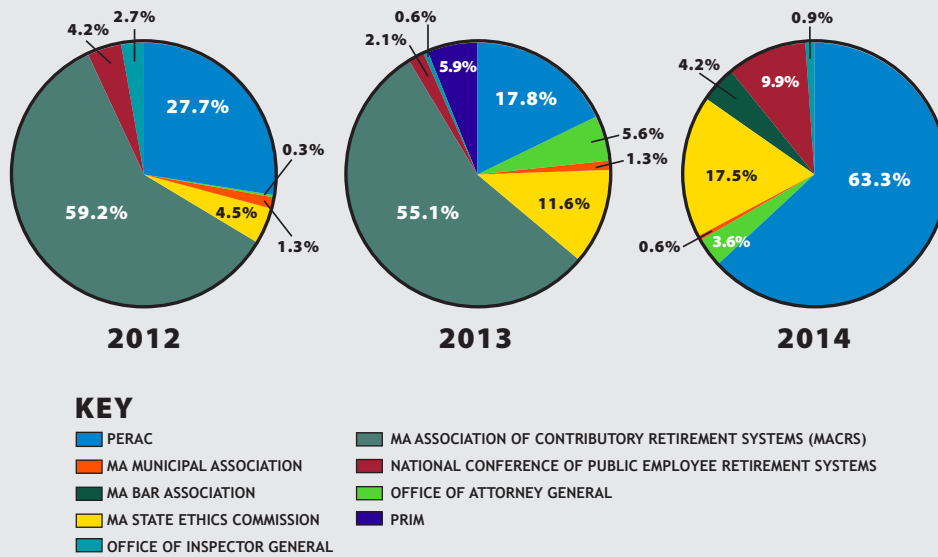


Don't forget to connect with our group page on LinkedIn! Search for the Public Employee Retirement Administration Commission Group and join for updates on job postings, rfp's, event updates and more.

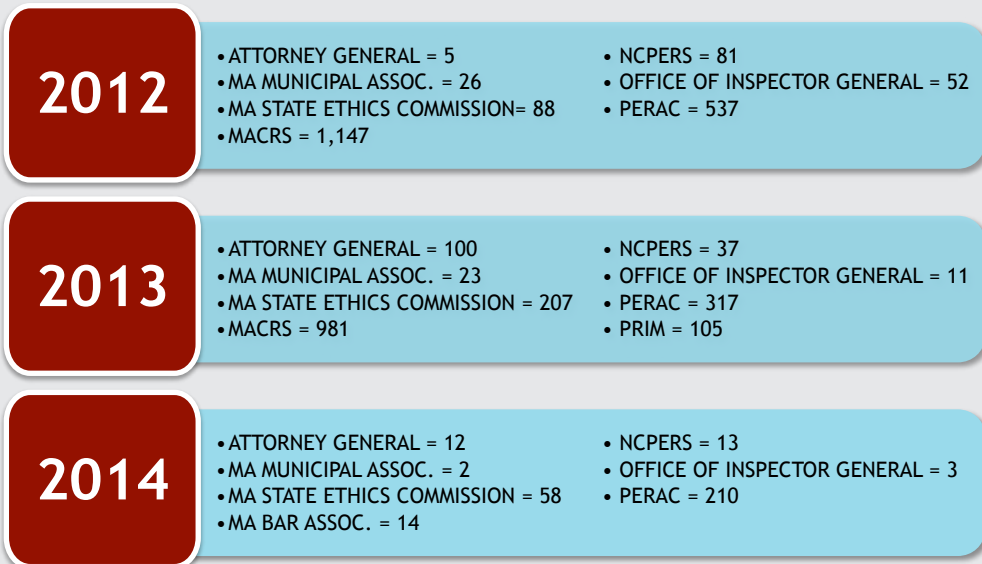
## PERAC'S CONTINUING EDUCATION STATISTICS

Commissioner Gerald McDonough's presentation included a section on Continuing Education providing an update on board participation in this mandatory requirement. The presentation offered an update on compliance across all boards in regards to education. These are some of the highlights with data available as of 5/15/14:

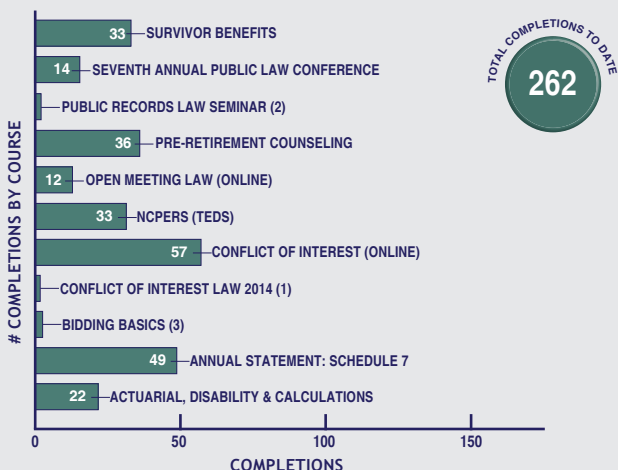
Course Registrations % By Sponsor



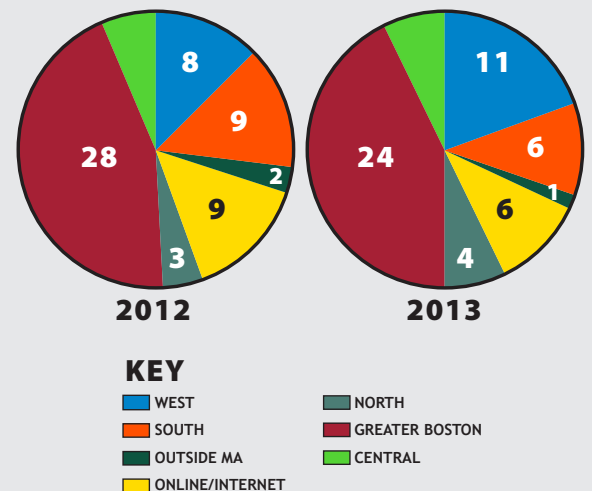
Course Registrations # By Sponsor



2014 Course Completions



Sessions Offered by Region:





**J**udith Corrigan, Deputy General Counsel and Managing Attorney of PERAC, was elected Vice President of the Massachusetts Association of Public Pension Attorneys ("MAPPA") at its meeting in Hyannis on June 3, 2014.

Ms. Corrigan succeeds Brian Fox, of the law firm of Murphy, Hesse, Toomey and Lehan as MAPPA's Vice President. Mr. Fox was elected President of MAPPA, also at the June meeting. A term of office for MAPPA officers is two years, so the next election will be held in the summer of 2016.

"I'm honored to have been elected Vice President by my peers," Ms. Corrigan stated. "MAPPA is such an important organization for those practicing law in the public pension arena in Massachusetts."

Ms. Corrigan has been a member of MAPPA for over 15 years, having attended her first meeting in 1999, shortly after joining PERAC's legal staff.

(continued from page 3) funding progress that has been made. Some argue that the plan was 94.5% funded on January 1, 2000 and has moved backward the past decade. I would argue that getting to that level in 2000 was a case of getting "too much, too soon." The system earned about 12.6% per year from 1985 through 2000. Under more normal circumstances, the funded ratio graph would not have increased so steeply in the 1990s. In fact, if the actual returns from 1985 to 2013 had been exactly 9.8% EACH year, the graph would move slowly upward to the right and most impartial observers would agree significant funding progress had been made.

Please note: The results presented on this page pertain exclusively to the State Retirement System. The State Retirement System is one of the four components of the Commonwealth of Massachusetts pension valuation. The other three components are the Massachusetts Teachers' Retirement System, Boston Teachers, and the Cost of Living Allowance Reimbursements to Local Systems.

## REGISTRATION OPENS NEXT MONTH FOR OUR 10TH FORUM!

**SAVE**  
the **DATE**

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

10th  
**EMERGING**  
ISSUES  
**FORUM**

**where:** **Hogan Conference Center**  
College of the Holy Cross, Worcester, MA

**when:** **September 18, 2014**  
9 am to 3:00 pm  
(Registration Desk Opens @ 8:15 AM)  
Registration Materials Coming Soon!

**note!** Attendance = **3** educational credits for Board Members

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**The Honorable Suzanne M. Bump**  
Auditor of the Commonwealth

**Philip Y. Brown, Esq.**  
Investment Professional

**John B. Langan**  
Deputy Director  
Office of Employee Relations

**James M. Machado**  
Sergeant  
Fall River Police Department

**Donald R. Marquis**  
Former Town Manager  
Arlington

**Robert B. McCarthy**  
President Emeritus of the Professional  
Firefighters of Massachusetts

**Joseph E. Connarton**  
Executive Director

**Michael DeVito**  
Editor

